

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 INR-10 NSAE-00 PA-04

RSC-01 USIA-15 PRS-01 SP-03 AEC-11 AID-20 CEA-02

CIEP-02 COME-00 EB-11 FEA-02 FPC-01 H-03 INT-08 L-03

NSC-07 OMB-01 PM-07 SAM-01 SCI-06 SS-20 STR-08

TRSE-00 FRB-02 DRC-01 /176 W
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FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 3443

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POUCHED FOR INFO ALL CONSULATES IN CANADA

E.O. 11652: N/A

TAGS: ENRG CA

SUBJECT: ENERGY: OIL PRODUCT PRICE INCREASES

REF: OTTAWA 925

ENERGY MINISTER MACDONALD SENT FOLLOWING TELEX MAY 9 TO
CANADIAN OIL INDUSTRY AND PROVINCIAL PREMIERS REGARDING GOC
GUIDELINES ON DOMESTIC OIL PRICE INCREASES EFFECTIVE MAY 15:

BEGIN QUOTE

INTRODUCTION

1. THE GOVERNMENT IS APPRECIATIVE OF INDUSTRY'S POSITIVE
RESPONSE TO ITS REQUEST TO REFRAIN FROM OIL PRODUCT PRICE
INCREASES FOR A PERIOD OF 45 DAYS FOLLOWING THE APRIL 1ST
RISE IN WESTERN CRUDE PRICES AND RELATED DECREASE IN IMPORT
COMPENSATION.

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2. WE WISH NOW TO PROVIDE GUIDANCE AS TO IMPLEMENTATION OF

CHANGES IN OIL PRODUCT SELLING PRICES WHICH CAN TAKE PLACE
ON MAY 15TH.

THERE ARE THREE ITEMS PENDING:

- A) CRUDE COST
- B) OPERATING COST
- C) FEDERAL SALES TAX

AS TO POINT C) REVENUE CANADA ON MAY 3 ADVISED YOU OF
MAXIMUM FEDERAL SALES TAX INCREASES ON AUTOMOTIVE FUELS
AMOUNTING TO \$0.0064 PER GALLON ON PREMIUM GASOLINE
\$0.0062 PER GALLON ON REGULAR GASOLINE AND \$0.0034 ON
DIESEL FUEL.

3. CRUDE COST INCREASES

A) WHOLESALE PRICES OF PRODUCTS DERIVED FROM
CANADIAN CRUDE OIL MAY BE INCREASED BY UP TO \$0.0820
PER GALLON TO REFLECT THE APRIL 1ST INCREASE OF \$2.70
PER BARREL IN CRUDE OIL PRICES AS AGREED TO BY THE
PREMIERS OF ALL THE PROVINCES ON MARCH 27TH, 1974.

B) WHOLESALE PRICES OF PRODUCTS OF FOREIGN
CRUDE-ORIGIN MAY BE INCREASED BY UP TO \$0.0270 PER
GALLON IN RECOGNITION OF A REDUCTION OF \$0.90 PER
BARREL IN IMPORT COMPENSATION TO BE EFFECTIVE APRIL 1ST.

4. OPERATING COST CHANGES

TO REFLECT INCREASES IN COSTS OTHER THAN CRUDE OIL AND
ITS TRANSPORTATION ATTRIBUTABLE TO THE PERIOD
SEPTEMBER 4, 1973 TO MAY 15, 1974 FURTHER INCREASES IN
WHOLESALE PRICES MAY BE MADE AS FOLLOWS:

A) ON SALES OF PRODUCT MADE F.O.B. REFINERY OR
MAJOR DISTRIBUTION TERMINAL, UP TO \$0.0010 PER GALLON.

B) ON SALES OF PRODUCT WHICH HAS PASSED THROUGH
MARKETING FACILITIES DOWNSTREAM OF REFINERY OR MAJOR
DISTRIBUTION TERMINAL, UP TO \$0.0040 PER GALLON.

C) ON SALES OF IMPORTED PRODUCT WHICH HAS PASSED
THROUGH MARKETING FACILITIES DOWNSTREAM OF MAJOR
DISTRIBUTION TERMINAL, UP \$0.0030 PER GALLON.
THE AMOUNTS IN POINTS B) AND C) INCLUDE AN ALLOWANCE
OF \$0.0010 PER GALLON TO COVER THE INCREASED COST OF
WORKING CAPITAL.

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5. ANY INCREASES UNDER PARAS 3 AND 4 ABOVE APPLY
UNIFORMLY TO ALL REFINED OIL PRODUCTS.

6. EXCEPT AS ABOVE, WE REQUEST THAT NO OTHER PRICE
INCREASES BE IMPLEMENTED.

(SIGNED) DONALD S. MACDONALD

END QUOTE.

PORTER

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